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7 BEFORE THE INSURANCE COMMISSIONER  
8 OF THE STATE OF WASHINGTON

9 In the Matter of the Application  
10 regarding the Conversion and  
11 Acquisition of Control of Premera Blue  
12 Cross and its Affiliates.

No. G 02-45

MOTION TO EXTEND CASE  
SCHEDULE, INCLUDING  
UPCOMING DEADLINES AND  
HEARING DATE

13 PREMERA and Premera Blue Cross (collectively, "Premera") respectfully move  
14 for modification and extension of the case schedule set forth in the Commissioner's  
15 Thirteenth Order. Specifically, Premera asks that the deadlines in the case schedule for  
16 submission of pre-filed direct testimony, etc., as well as the hearing date, be moved back  
17 some 60 days. The current case schedule is based upon the Stipulation of Parties and  
18 Final Order entered by the Thurston County Superior Court Judge Paula Casey on  
19 September 12, 2003 (the "Thurston County Order"). Premera's motion contemplates a  
20 modification of the Thurston County Order pursuant to a joint request by Premera and the  
21 Commissioner, resulting in a 63-day extension of the deadline for a final decision on  
22 Premera's Form A Statement.

23 As the Commissioner is aware, representatives of Premera and the OIC Staff and  
24 their respective consultants met on October 22, 2003, to discuss issues raised in the draft  
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MOTION TO EXTEND CASE SCHEDULE - 1

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1 reports of the OIC Staff's consultants. The discussions were, by common agreement, both  
2 positive and productive. The OIC Staff and Premera arrived at tentative solutions to many  
3 key issues. They also agreed that the discussions should continue, with an eye toward  
4 narrowing the issues in dispute.<sup>1</sup> The press of other activities required under the case  
5 schedule, however, has made it exceedingly difficult to schedule follow-up discussions.  
6 With a discovery cut-off of December 5, the last of 20 expert depositions will conclude  
7 this week, but the parties then face a December 19 deadline for submitting pre-filed  
8 testimony. Absent a break in the case schedule, the OIC Staff has advised Premera that it  
9 will be unable to hold any follow-up discussions.

10 Under these circumstances, a hiatus in the current timetable will enable the parties  
11 to work to narrow the issues in dispute and still have adequate time to prepare for the  
12 adjudicative hearing. A schedule modification offers the added benefit of ensuring that  
13 the public is apprised of any outcomes of discussions regarding Premera's proposal in  
14 time to offer testimony or comments on the modified proposal, if one is submitted.

15 Premera and the OIC Staff have had preliminary discussions about the process  
16 and the timeline required to achieve these goals. They envision exchanging lists of issues  
17 for potential negotiation, such as transaction terms, post-conversion market behavior, and  
18 IPO structure, on or about December 8, with discussions to begin as early as December  
19 12. The OIC Staff and Premera and their respective counsel have agreed to give the  
20 Intervenor's counsel regular oral briefings on the outcomes of these discussions, as often  
21 as daily. To the extent that any changes are agreed upon in concept, Premera and the OIC  
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23 <sup>1</sup> The OIC Staff has taken the position that the outcome of such discussions should be an  
24 amendment of Premera's Form A Statement, whereas Premera believes that the outcome  
25 could equally well be the presentation of agreed conditions that could be imposed upon  
any approval by the Commissioner of Premera's proposal. The current case schedule sets  
October 15, 2003 as the deadline for Form A amendments.

Staff expect to exchange initial red-lined drafts of the Form A documents reflecting such proposed changes by the end of December.<sup>2</sup>

To allow time for these discussions, Premera and the OIC Staff believe that the current case schedule should be modified as follows:

<u>Deadline</u>	<u>Action</u>
January 8, 2004	Premera files amendments to its Form A, if any, with the OIC. Amendments that may be filed will be considered within the current review process and will not be deemed to start a new Form A process.
January 29, 2004	Previously identified testifying experts may submit supplemental reports addressing the effect of changes, if any, in the Form A
February 19, 2004	Parties submit pre-filed direct testimony
March 5, 2004	Parties submit pre-filed responsive testimony
March 15-26, 2004	Hearing
April 9, 2004	Deadline for post-hearing submissions
May 17, 2004	Commissioner's decision

There is no extension of any deadlines in the current case schedule that predate December 8, 2003, other than the resetting of the date for possible amendments to the Form A.

Attached is a proposed order embodying the case schedule modifications described above. If the Commissioner is favorably disposed toward this motion and adopts the proposed order, Premera agrees to seek an extension of the decision deadline in the Thurston County Order from March 15, 2004 to May 17, 2004. If the Commissioner is

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<sup>2</sup> Premera's willingness to entertain changes reflects its interest in addressing the issues raised by the OIC Staff and its consultants. Premera believes that its Form A, as currently filed, meets the statutory criteria for approval, and this motion should not be construed to imply otherwise.

1 not favorably disposed toward this motion, then the matter should proceed in accordance  
2 with the current schedule and deadline for decision. Particularly in light of the potential  
3 for addressing consultant concerns and narrowing the issues in dispute, however, Premera  
4 urges the Commissioner to grant the motion. Premera also asks for expedited  
5 consideration of the motion, so that the OIC Staff and Premera can move swiftly to  
6 accomplish the initial tasks described above.  
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8 DATED this 4th day of December, 2003.

9 PRESTON GATES & ELLIS LLP

10  
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13 Thomas E. Kelly, Jr., WSBA # 05690  
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